



Panhandle News

BENEWAH, BONNER, BOUNDARY, KOOTENAI & SHOSHONE COUNTIES

ECONOMIC TRENDS

The Coeur d'Alene Metropolitan Statistical Area added 2,180 nonfarm payroll jobs between August 2005 and August 2006. That is about two-thirds as many jobs as it added in the calendar years of 2004 and 2005. But those were exceptional years. Now, the Coeur d'Alene metropolitan area is solidifying the gains it made during the two previous years. Most industrial sectors are expected to continue growing in coming months, but three sectors have begun to decline. Wood products manufacturing is reducing jobs in response to falling lumber prices as U.S. housing starts drop off. Construction is coming down from the Himalayan peak it reached in 2005 and real estate is falling off for the same reason — the real estate frenzy of the last two years is dying down. By the end of this year, the area's growth rate could easily move down into the 3 percent range. But that still would be nearly double the U.S. growth rate.

The other Panhandle counties also are seeing some drop-off in housing construction, real estate activity and forest product jobs. But those losses are being offset by the restoration of many of the jobs lost when Brown School closed the CEDU programs in Boundary County in early 2005. Panhandle State Bank and Coldwater Creek have both expanded their corporate headquarters, manufacturing operations at Quest Aircraft and Litehouse in Bonner County are growing and Coeur d'Alene tribal enterprises in both Kootenai and Benewah counties are growing. The mining industry is showing strength in Shoshone County, tourism has been on the rise and population growth and rising wages have benefited retail, health care, schools and other services.

SPECIAL TOPIC: The Transformation of the Labor Market

Over the last three years, the Panhandle's labor market has undergone an astounding transformation. After 20-plus years of high unemployment, employers are struggling to find and keep skilled workers. We used to think a labor shortage occurred when employers found it hard to hire enough restaurant and hotel workers in August, the busiest month of the tourist

Panhandle Table 1: Coeur d'Alene MSA Labor Force & Employment Kootenai County

	Aug 2006*	Jul 2006	Aug 2005	% Change From	
				Last Month	Last Year
INDIVIDUALS BY PLACE OF RESIDENCE					
Seasonally Adjusted					
Civilian Labor Force	68,580	69,700	67,680	-1.6	1.3
Unemployed	2,540	2,720	2,880	-6.6	-11.8
% of Labor Force Unemployed	3.7	3.9	4.3		
Total Employment	66,040	66,980	64,800	-1.4	1.9
Unadjusted					
Civilian Labor Force	69,910	71,330	68,740	-2.0	1.7
Unemployed	1,970	2,220	2,250	-11.3	-12.4
% of Labor Force Unemployed	2.8	3.1	3.3		
Total Employment	67,940	69,110	66,490	-1.7	2.2
JOB BY PLACE OF WORK					
Nonfarm Payroll Jobs** - NAICS	56,190	56,180	54,010	0.0	4.0
Goods-Producing Industries	11,490	11,420	10,790	0.6	6.5
Natural Resources & Mining	520	520	470	0.0	10.6
Construction	6,270	6,210	5,660	1.0	10.8
Manufacturing	4,700	4,690	4,660	0.2	0.9
Wood Product Manufacturing	1,000	1,020	1,070	-2.0	-6.5
Other Manufacturing	3,700	3,670	3,590	0.8	3.1
Service-Providing Industries	44,700	44,760	43,220	-0.1	3.4
Trade, Transportation, & Utilities	10,080	10,100	9,800	-0.2	2.9
Wholesale Trade	1,430	1,440	1,380	-0.7	3.6
Retail Trade	7,610	7,630	7,360	-0.3	3.4
Transportation, Warehousing & Utilities	1,040	1,040	1,060	0.0	-1.9
Information	980	1,000	1,010	-2.0	-3.0
Financial Activities	2,920	2,930	2,830	-0.3	3.2
Professional & Business Services	6,550	6,500	6,130	0.8	6.9
Educational & Health Services	5,630	5,600	5,290	0.5	6.4
Leisure & Hospitality	8,470	8,410	8,310	0.7	1.9
Other Services	1,570	1,620	1,560	-3.1	0.6
Government Education	2,640	2,730	2,500	-3.3	5.6
Government Administration	5,100	5,110	5,090	-0.2	0.2
Government Tribes	760	750	700	1.3	8.6

* Preliminary estimate

**Full- or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

season and the month when high school and college kids quit working to return to school. Now the dimensions of true labor shortages are being felt.

From 1982 to 2003, the Panhandle suffered from high unemployment. The rate averaged 9.4 percent during that period and always was significantly higher than the U.S. unemployment rate. The region's two most stagnant counties — Benewah and Shoshone — almost always had double-digit unemployment rates. But even Kootenai, Bonner and Boundary counties that enjoyed high job growth and increasing economic diversification, rarely saw rates below 7 percent.

Why? First, the Panhandle counties would occasionally experience massive job losses as the traditional mainstay industries — forest products and mining — contracted. Second, the region's traditional reliance on forest prod-

ucts, the U.S. Forest Service, summer tourism and agriculture made its economy highly seasonal. With many people out of work during the winter and early spring, the average unemployment rate for any year was higher than in less seasonal economies. But probably most importantly, the population was growing at times much faster than jobs even though employment was expanding rapidly. In years when there were many job opportunities, even more people moved in to keep the competition for jobs intense. For years, I referred to this as the “automatic labor availability mechanism” and assured businesses moving into the Panhandle that labor would always be available. If an industry needed more workers, no sweat—many people would gladly move here when they discovered the new job opportunities.

For 22 years, employment consultants in the Idaho Commerce & Labor local offices and I urged jobs seekers to become realistic, that intense job competition and the comparatively low wage levels that resulted were the price they paid to live in such an attractive area.

Then in the summer 2003, I began to realize that the labor market was about to experience a dramatic transformation — from an employers’ market, where businesses choose from many applicants and call the shots on wages and working conditions, to a job seekers’ market, where job openings outnumber qualified applicants and job seekers have more influence on the size of their paychecks.

The first industry to experience the transformation was construction. As residential construction began to skyrocket, construction firms began to report difficulties finding carpenters and other skilled trades people. Then they were forced to raise wages by a dollar or two to find enough laborers. Soon, the landscaping and warehousing industries were complaining because they were losing workers to the construction industry. Manufacturers found that their welders were deserting them for higher-paying jobs in construction.

With these reports, I realized 2004 and 2005 would bring even greater changes in the labor market. Manufacturers were beginning to recover from their troubles following the 2001 recession. Litehouse and Unicep Packaging planned to expand in Sandpoint, Buck Knives soon would open a 250-employee plant in Post Falls, Sysco was getting set to open a 170-employee distribution center in Post Falls, the new Verizon directory assistance center was looking for 300 workers, tourism would grow after four years of stagnation and U.S. Bank planned to hire 150 employees for its new call center in Coeur d’Alene. The job creation in 2004 and 2005, at 8,200 jobs, turned out to be even larger than between 1992 and 1994 when the region added 6,800 jobs.

The unprecedented job growth pushed unemployment rates to historic lows. The Panhandle’s unemployment rate fell from 7.4 percent in 2003 to 4.8 percent in 2005. Unlike the previous 20 years, rapid job growth did not greatly increase the number of available workers moving into the Panhandle. Why? There are probably two major reasons. The first is demographic change. The youngest baby boomers now are in their early 40s and the generation that followed them — Generation X, also known as the “baby dearth” generation — is so much smaller, there are relatively fewer young people available to move here. And then the region’s very rapid run-up in housing costs may have scared away young workers.

In the 1990s, the Panhandle would add about 1,840 people between ages 16 and 44 to its labor force each year. Today it adds barely half that, only 970. This decrease in the number of young people entering the labor force each year is one of the reasons employers have lost control of the job market to workers.

The net result of slower labor force growth and exceptional job growth is a decline in applicants for available openings. The number of job openings listed with the five Idaho Commerce & Labor offices in the Panhandle increased 64.8 percent from 8,903 during the fiscal year ending June 30, 2004, to 14,673 during the fiscal year ending June 30, 2006. In the same period, the number of job applicants registered with those offices fell 22.3 percent from 13,908 to 10,811.

The decline in applicants relative to job openings is most acute for skilled construction, manufacturing and medical workers and for entry-level jobs that require strength and endurance, such as construction helpers, landscape and grounds keeping workers, laborers and production floor workers. Although Bonner and Kootenai counties were the first to see labor shortages, all five counties are experiencing difficulties now. Even sawmills, which for years had waiting lists for entry-level positions, now are finding it difficult to recruit workers. There are stories about some construction businesses going to other businesses’ sites to try to entice their workers away with higher wages.

To get and keep quality workers, employers are offering higher wages. In 2003, almost all the fast food businesses in Kootenai County paid around \$6.50 an hour for entry workers. Now, most are paying \$7 to \$8, and a couple are even paying \$9 an hour to start. At a meeting of human resource managers in Coeur d’Alene, one expert said that the effective minimum wage in Kootenai County was \$8 an hour and that below that wage manufacturers, construction sites, warehouses, temporary employment agencies and many other businesses would not get responses to job ads.

Today the employment consultants at Idaho Commerce & Labor are talking to employers about the difficulties of finding workers and the resulting upward pressure on wages, and they are offering advice on how to recruit and retain workers.

Chambers Have Plan for Work Force Development

Over the last two years, the chambers of commerce in Kootenai County have increasingly heard complaints about problems finding and keeping qualified workers. To help solve their members’ most pressing problems, the chambers in Coeur d’Alene, Post Falls, Rathdrum and Hayden recently put together a work force development plan. Among the plan’s elements:

- **Provide Recruitment Assistance** – One immediate way to provide assistance is to develop programs and activities that directly assist member businesses in recruiting and retaining employees. Last spring, the chambers, working with Idaho Commerce & Labor and North Idaho College, held a job fair, which enabled 100 businesses to meet with about 3,000 potential employees. The chambers plan to hold this large job fair annually to keep employers connected with potential employees. The chambers plan to hold workshops to provide businesses with the latest information about recruiting and

retaining employees. The first of these takes place in October at the Idaho Commerce & Labor office in Coeur d'Alene, focusing on recruitment techniques—how to advertise, interview and select workers. To lure more college graduates to this highly attractive place, the chambers plan to send one or two representatives of the business community to campuses to recruit students.

- **Bring Respect to Technical-Professional Careers** – Many business leaders in manufacturing, construction and other industrial fields say that people tend to dismiss technical-professional career opportunities. To help students and educators understand these jobs and their potential for career tracks and high earnings, the chambers plan to organize tours of manufacturing sites for students and educators, arrange summer internships for teachers and counselors to gain firsthand experience of these businesses. In addition, the chambers currently are organizing speakers bureaus to bring manufacturers and other employers into classrooms to tell students about the potential for careers using technical skills.
- **Build Training Programs** – In the long run, the chambers hope to secure more money for technical-professional programs by building a statewide coalition to seek dramatically larger funding for both secondary and post-secondary technical education. In the short run, the chambers plan to work with members of the business community to identify the three or four most needed skills and create programs that can be put in place immediately to provide needed training.
- **Support a Partnership between Education and Business** – School districts have developed a variety of programs to teach skill sets needed in today's workplace. Graduates of these programs receive certificates of success. The chambers will urge businesses to give priority to skill-set certificated applicants. Employers should require appropriate certificates from applicants and give preference to those holding them. This will further reinforce the importance of learning these skills. The chambers urged business participation in developing technical-professional programs to ensure that classes provide the skills businesses need.
- **Make the Community Attractive to Young Workers and Their Families** – The chambers will support efforts to develop affordable housing, provide assistance in finding good jobs for spouses of individuals relocating to Kootenai County for work and offer entertainment opportunities attractive to young workers, both married and single.

AREA DEVELOPMENTS

Bonner County

- Priest River with its charming downtown and lovely views will be the backdrop for a feature film starring Cynthia Watros, who played Abby on ABC's *Lost* last season, and Garrett Morris, who first came to national attention on *Saturday Night Live* in the 1970s. In mid-September, a production crew from North by Northwest Entertainment spent a week filming city hall, the Brass

Alley gift store, the city park and River Pig's Inn in one of Priest River's historic brick buildings. Many local residents worked as extras in the film. The movie, titled "Frank," tells the story of a family that adopts an abandoned dog.

- Now the world knows what Idahoans have known for a long time—Sandpoint is a community devoted to the arts, where artists and galleries thrive. SouthwestArt, a leading publication for art collectors and artists, recently named Sandpoint one of America's emerging art towns. Sandpoint ranked 32nd on the list, which was led by Sedona, Ariz.; San Luis Obispo, Calif., and Las Cruces, N.M. This summer's art tour, sponsored by the Pend Oreille Art Council, offered visits to 29 different artist studios and galleries.

Kootenai County

- A 14,000 square-foot Ace Hardware recently opened in the Hayden Center in Hayden. BJ's Family Billiards recently opened in the former Connie's Pantry space in Coeur d'Alene. Downtown Coeur d'Alene recently welcomed the Lucky Monkey Trading Co., which sells candlesticks, vases, home décor and exotic silks imported using fair trade practices from Southeast Asia, Africa and Mexico. Backwoods Log Furniture and Décor recently opened in Coeur d'Alene, where it sells rustic pine furniture and other décor and gift items. The fast-growing Sonic restaurant chain, known for its carhops on roller skates and onion rings, is building a 1,800 square-foot drive-in restaurant at the former American Legion site on Idaho Highway 41 just north of Interstate 90 in Post Falls. When it opens in March or April, it probably will hire 85 people.
- TESH, a nonprofit organization that provides rehabilitation and vocational training for people with disabilities, is celebrating its 30th anniversary in October. Since it opened in Coeur d'Alene in 1976 as the Temporary Employment & Shelter Homes vocational rehabilitation agency, TESH has trained and provided jobs, skills training and educational opportunities for more than 7,000 persons with disabilities. In 1978, TESH began offering janitorial services. A year later, it opened the sheltered workshop. Over the years, it began training its clients for jobs with manufacturers, grocery stores, hotel laundries, restaurants, bakeries and other businesses. In 1995, it began providing summer and after-school program for school-aged children. Ten years ago, it opened an office in Sandpoint. Recently, TESH began offering document shredding services. It employs about 100 workers.

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